

Service Date: December 5, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Second Inves-)	UTILITY DIVISION
tigation of INTRASTATE ACCESS)	DOCKET NO. 84.4.15
CHARGES for Telecommunications)	INTERIM ORDER NO. 5055c

FINDINGS OF FACT

1. This docket was instituted by order of May 1, 1984 to facilitate a second investigation of intrastate access charges for telecommunications. By interim orders dated June 19, 1984 (Order No. 5055a) and July 25, 1984 (Order No. 5055b) the Commission established the level of access charges to be in place during the pendency of the second investigation. Those interim access charges mirror the latest interstate access charges approved by the FCC, except that the intrastate charges do not include customer access line (end user) charges for multi-line business customers but do include a bulk billing in the amount of \$1.146 million annually.

2. Following opportunity for interested parties to comment, the Commission identified fourteen specific issues to be examined in this investigation (Notice of Final Issues dated July 10, 1984).

3. Interested parties were allowed the opportunity to prefile written testimony and rebuttal testimony addressing the fourteen issues prior to hearing scheduled to begin October 23, 1984.

4. Pursuant to proper notice a public hearing was commenced on October 23, 1984, to consider the fourteen identified issues. At the hearing, all of the parties with the exception of the Montana Consumer Counsel, entered and submitted a stipulation proposing a deferral of consideration of

Issues 1 through 6. The stipulation proposes a procedure that would allow the parties to further develop and present appropriate methodologies for the identification, assignment, and recovery of non-traffic sensitive (NTS) and traffic sensitive (TS) costs of providing Montana intrastate access. The stipulation (Exhibit No. 1 at the hearing) is appended hereto as Attachment "A".

5. Although not signing the stipulation, the Montana Consumer Counsel indicated that it had no objection to the basic concepts embodied therein and expressed a willingness to participate in the process identified. (See Exhibit No. 2., appended hereto as Attachment "B").

6. At the hearing, and prior to ruling on the proposal in the stipulation, the Commission expressed concerns it has for the current results of operation being experienced by AT&T Communications in its Montana intrastate operations. AT&T Communications' rates and operations are currently being reviewed in Docket No. 83.11.80. The Commission indicated that it may become necessary to grant AT&T Communications, interim relief in that docket. The Commission further indicated that such relief may have to be granted in the form of reduced access charges paid by AT&T Communications. Such relief would require modifying current access charges prior to completion of the study period contemplated in the stipulation.

7. The parties stated their understanding of the Commission's concerns in this area. They further indicated that they wished to proceed with the process outlined in the stipulation acknowledging that the Commission may modify current access charges in the interim for the purpose of granting interim relief to AT&T Communications.

8. A discussion ensued between the parties, the Commission and the Commission staff concerning those modifications to current access charges which would be necessary to address the AT&T Communications interim relief question. Basic agreement was reached as to the methodology that would be appropriate in generating interim relief for AT&T Communications as well as in addressing the impacts upon the local exchange carriers arising from a reduction in access charges. The provisions adopted in this order reflect that basic agreement.

9. In Order No. 5044c, in Docket No. 83.11.80, issued concurrently herewith, the Commission has recognized a need for interim earnings relief for AT&T Communication in the amount of \$828,000. Order No. 5044c further found that such interim earnings relief should be afforded by reducing access charges paid by AT&T Communications to the local exchange carriers in the amount of \$1,620,000. Pursuant to the basic understanding reached at the October 23-24, 1984 hearing in this docket, the Commission finds that such interim relief should be generated by modifying interim access charges as follows.

10. The bulk billing element of the access charges should be discontinued. This will reduce the access charges paid by AT&T Communications by \$1.146 million annually.

11. The charges for special access should be reduced such that they approximate the level of Mountain Bell's current rate for private line services. Without such a decrease it would have been necessary to increase rates for AT&T Communications private line service by an additional 44.63% just to cover the access charges AT&T Communications would have paid to the local exchange carriers to provide the private line services.

12. Figure 1 of Attachment C illustrates the relationship between Mountain Bell's private line rate, AT&T Communications' private line rate and charges AT&T Communications pays for special access in order to provide private line services. The reduction in charges for special access dictated by the proceeding paragraph is represented by the upper portion of the middle column (above the dotted line). The increase in AT&T Communications' private line rates thereby avoided is represented by the upper portion of the third column.

13. The amount of relief to AT&T Communications generated by the reduction in special access charges, and for that matter the corresponding impact on local exchange carriers must be quantified. The local exchange carriers are directed to calculate and submit the effects of such a reduction. The submission should reflect the total reduction in charges to AT&T Communications as well as a break down of the resulting reduced revenues to each local exchange company.

14. Finally, if necessary, there should be a reduction in carrier common line charges sufficient such that it together with elimination of the bulk billing element and the reduction in special access charges results in the total reduction in access charges to AT&T Communications of \$1,620,000 authorized in Order No. 5044c. The reduction in carrier common line charges should take the form of a credit. This will allow the carrier common line charge tariffs to continue to mirror the interstate tariffs with the exception of the credit. The credit should be applied to each minute of use rather than be calculated on a one-time bulk basis.

15. The credit for carrier common line charges will be established on a residual basis such that the total reduction in access charges experienced by

AT&T Communications will equate the \$1,620,000 amount recognized in Order No. 5044c. Therefore it will be necessary that the local exchange carriers first allow for the elimination of the bulk billing element and then the reduction in charges for special access before calculating the appropriate level of the credit per-minute-of-use on carrier common line charges. The local exchange carriers are directed to make the calculations necessary to implement such a credit on carrier common line charges. Again, the local exchange carriers should submit to the Commission the total reduction in access charges to AT&T that will result from the credit as well as a break down of the resulting reduction in revenues to each local exchange company.

16. The credit on carrier common line charges will of course apply to all carrier common line charges and not just those paid by AT&T Communications. However, it should be noted that the Commission has not mirrored the 55 percent discount for future Groups A and B service (Finding No. 24, Order No. 5018a, Docket No. 83.6.47 as confirmed in Finding No. 11, Order No. 5055b, Docket No. 84.4.15). Consequently the credit on carrier common line charges will not be applied on top of an existing discount for inferior access. If the Commission should find at some future point that an interexchange carrier is receiving access inferior to that of AT&T Communications, the Commission will determine what, if any, discount should be applied and whether the credit ought to be applied on top of that.

17. It is recognized that the described decreases in access charges will impact the revenues of the local exchange carriers. As already directed, these impacts are to be quantified and submitted to the Commission. The Commission is currently engaged in an ongoing review of Mountain Bell's results of operation in pending Docket No. 84.4.19. The impacts from modifications to access charges submitted by Mountain Bell will be considered

together with that company's most recent results of operation to determine whether there is a need for offsetting rate adjustments. This consideration will be conducted in accordance with the Commission's recognized standards for reviewing requests for interim rate relief. If any offsetting rate increases are granted to Mountain Bell the same will constitute interim relief subject to refund with interest pending a final determination of Mountain Bell's revenue requirement in Docket No. 84.4.19.

18. The remaining regulated local exchange companies, with the exception of Project Telephone Company, do not have rate cases pending before the Commission. Consequently results of operations are not as readily available for these companies. Therefore the Commission will grant temporary offsetting rate adjustments to these companies pending receipt of results of operations data. The Commission will require that such data be filed within 120 days of implementation of the offsetting rates. Upon receipt of such information the Commission will determine whether the modifications to access charges were just cause for granting offsetting rates. If not, the offsetting rates or a portion thereof will be refunded with interest. Otherwise the offsetting rates will be made permanent.

19. At the time the local exchange companies submit their statements of the impacts of the modification of access charges they should also submit a proposal for spreading any necessary offsetting rate adjustments.

20. Fourteen days should be a reasonable period for the local exchange companies to calculate and file the modified access charges described herein and to submit at the same time a statement of impacts and proposal to spread any offsetting rates. Such filing will therefore be due by November 27, 1984. The Commission contemplates that the modified access charges and offsetting rates would become effective simultaneously.

21. The foregoing adequately addresses the Commission's concerns regarding the need for interim relief to AT&T Communications. Having addressed the same, the Commission is prepared to accept the procedure outlined in the stipulation (Attachment A) and thereby defer further consideration of Issues 1 through 6. The Commission agrees that there is a need for further development of cost data and assignment methodologies before the Commission will be in a position to establish final access charges. The terms of the stipulation present a reasonable and practical method of gathering and presenting the needed information to the Commission.

22. The Commission will issue a further interim order addressing Issues 7 through 14 at a later date.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the investor-owned telephone companies providing telephone service in Montana pursuant to Title 69, Chapter 3, MCA. The telephone cooperative companies who participated in this docket have done so voluntarily with the understanding that such participation in no way confers jurisdiction over their operations.

2. The modifications to access charges adopted herein are just and reasonable and constitute a proper exercise of the Commission's authority to implement interim rates pending final resolution of a docket.

3. The stipulated procedure adopted herein represents an important and reasonable step in ultimately arriving at final access charges.

ORDER

1. The local exchange companies are to file, by November 27, 1984, access charge tariffs reflecting the modifications outlined in Findings of Fact 10, 11, 14 and 15. The local exchange companies are to submit calculations verifying that the modifications will reduce the access charges paid by AT&T Communications by \$1,620,000 annually.

2. At that same time the local exchange companies are to submit a breakdown of the impacts of the modifications on the revenues of each company. They are further requested to propose rate spreads for implementing any necessary offsetting rate adjustments described in Findings of Fact 17 and 18.

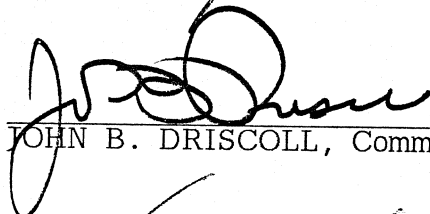
3. Following receipt and review of these filings the Commission will issue an order adopting modified access charges and any necessary offsetting adjustments.

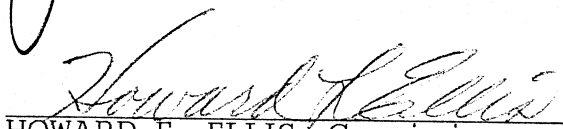
4. The stipulation presented by the parties at the October 23-24, 1984 hearing (Attachment A) is hereby adopted as the procedure to be followed as the next step in this investigation. Pursuant to the stipulation, the parties are to undertake monthly meetings commencing within twenty days of this order.

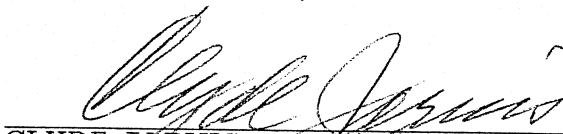
DONE IN OPEN SESSION at Helena, Montana this 9th day of November, 1984
by a vote of 5 to 0.

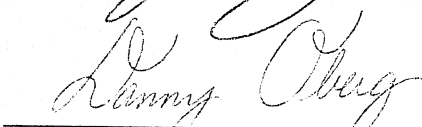
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.



THOMAS J. SCHNEIDER, Chairman


JOHN B. DRISCOLL, Commissioner


HOWARD E. ELLIS, Commissioner


CLYDE JARVIS, Commissioner


DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter. Judicial review may be obtained by filing a petition for review within thirty (30) days of the service of this order. Section 2-4-702, MCA.

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

Exh # 1

* * * * *

IN THE MATTER of the Second)	UTILITY DIVISION
Investigation of INTRASTATE)	
ACCESS CHARGES for Telecom-)	DOCKET 84.4.15
munications)	
_____)	

* * * * *

STIPULATION AS TO ISSUES PENDING

* * *

COME NOW the undersigned parties and intervenors in the above-referenced Docket and state that it is desirable to provide for the orderly development and presentation of appropriate methodologies for the identification, assignment, and recovery of non-traffic sensitive (NTS) and traffic sensitive (TS) costs of providing Montana intrastate access, and to that end stipulate and agree as follows:

1. That the parties hereto shall undertake monthly meetings commencing within twenty days after an interim order of the Commission in this Docket approving the approach outlined herein. During those meetings, each party and intervenor joining this stipulation shall present to all other parties and intervenors the following information:

a. The identity by account code designation of the appropriate NTS costs that should be included in whole or in part for purposes of Montana intrastate access charges.

b. The percentage assignment or allocation of such costs to Montana intrastate access service and the rationale and/or supporting studies for such assignment or allocation.

c. The impact of such identification and assignment of NTS costs upon each of the following categories of intrastate service: toll, private line, access (switched or special), and local exchange. Such showing shall demonstrate a total revenue impact on each such service.

2. Each party or intervenor in this Docket, with the exception of the Rural Montana Telephone Systems, shall appoint an official representative and alternate(s) to represent them at the meetings. The Rural Montana Telephone Systems, because of the divergent makeup of its members, which include independent telephone systems, cooperative telephone systems, average schedule companies, and cost companies, shall appoint two official representatives and two alternates. Each party or intervenor in this Docket shall identify to the Commission within fifteen days from the date of the Commission's interim order the official representative(s) and alternate(s) of such party or intervenor to the meetings. Thereafter, the parties shall designate a chairman from among the representatives who shall be obligated to

fix the time and place for such monthly meetings and to establish the agenda for completion of the work required hereunder.

3. The chairman shall thereafter report to the Commission on or before June 30, 1985, the results of such meetings including:

a. The identification and assignment methodologies recommended by each party or intervenor together with the revenue impact on categories of service as set forth above.

b. Any agreement of the parties as to any of the issues set forth in Issues 1 through 6 of the Commission's Notice of Final Issues dated July 10, 1984, in this Docket.

c. That the individual members of the Committee shall not be bound by any position reached by a majority and that the individual positions of each party shall be submitted to the Montana Public Service Commission on or before June 30, 1985.

d. Such other and further information as may assist the Commission in determining intrastate access charges.

Following the Committee's final report, the Commission might choose to schedule further hearings, or might enter a final order in this Docket, or take other appropriate action.

4. The Commission staff shall be welcome at all such meetings.

5. The parties to this stipulation concerned with the issue of independent company settlements further agree to undertake discussions relating to those settlements and in conjunction with those discussions agree:

a. That the settlement process set forth in the Montana Industry Committee consensus statement, which was presented to the Montana Public Service Commission in The Matter of the Investigation of Intrastate Access Charge for Telecommunications, Docket No. 83.6.47, and which is currently being utilized, shall remain in effect during the pendency of this stipulation, unless directly or indirectly altered by the Montana Public Service Commission. Provided, however, that such settlements process may be amended by the mutual consent of the parties directly affected by the current settlements process. Nothing in this Stipulation shall be construed as a waiver by any party of its right to contest any action of Commission affecting the settlements process.

b. That a special subcommittee be formed, comprised of a representative of each party to this stipulation to conduct the discussions relating to independent company settlements.

c. That this subcommittee shall be recognized by the parties to this stipulation as the most expeditious forum

for discussion of the issue of independent company settlements and that the results of these discussions be presented to the Montana Public Service Commission in this, or any other related proceeding.

d. That this subcommittee shall undertake monthly meetings and shall at the first meeting, designate a chairman from among the members who shall be obligated to fix the time and place for such monthly meeting and to prepare an agenda of specific items for discussion.

e. That the individual members of the subcommittee shall not be bound by any position reached by the majority and that the individual position of each party regarding the future course of the settlements process shall be submitted to the Montana Public Service Commission on or before June 30, 1985.

f. That the parties recognize that the cooperative telephone systems are not subject to regulation by the Montana Public Service Commission pursuant to Section 35-18-104, MCA, and are voluntarily participating in these proceedings.

6. That the testimony and exhibits of the parties hereto be deemed to be amended to conform with and support this Stipulation and that the Procedural Order entered herein be deemed to be amended to accommodate this Stipulation and testimony of the parties in support thereof.

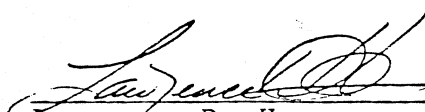
7. That the hearings herein scheduled to commence October 23, 1984, be continued as to Issues 1 through 6, and proceed with respect to Issues 7 through 14 of the Commission's Notice of Final Issues dated July 10, 1984.

The parties and intervenors in this Docket witness their acceptance and participation in this Stipulation by the signatures of their respective counsel of record below.

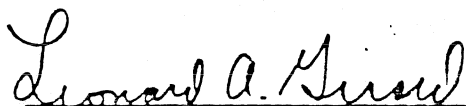
DATED this 22nd day of October, 1984.



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LEGISLATIVE CONSUMER COMMITTEE

Rep. Joe Quilici, Chairman
Sen. Gary Lee
Rep. Andrea Hemstad
Sen. Paul Boylan

October 23, 1984

POSITION OF MONTANA CONSUMER COUNSEL
RE: PROPOSED STIPULATION AS TO
ISSUES PENDING, DOCKET NO. 84.4.15

The Montana Consumer Counsel does not object to an effort by the parties participating in this Docket, through discussions and exchange of information, to attempt to more clearly identify methodologies and the rationale for same, as are involved in this docket.

Moreover, the Montana Consumer Counsel, should this stipulation be accepted by the Montana Public Service Commission, would strive to participate in the outlined process.

A handwritten signature in cursive script, appearing to read "James C. Paine".

James C. Paine
Montana Consumer Counsel

FIGURE 1

INTERIM SPECIAL ACCESS CHARGES

	<p>stipulation decreases access charges down to full cost as set forth in Order No. 4991b</p>	<p>+44.63% required, w/o stipulation, to bring prices up to interim access costs</p>
		5044b + 17.2%
		5044 + 14.97%
4991b + 10.02%		
MBT'S PL PRICES	ACCESS CHARGES	AT&T'S PL PRICES